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## ABSTRACT

This report examines the process behind setting up and implementing a "capital campaign," a program for raising money for new or renovated facilities at private K-12 schools. The report briefly covers tax information regarding gifts to institutions, then offers advice for setting up a comprehensive development program, including fundraising software and tips on implementing all the components of a development program. Campaign planning issues are discussed on using fundraising consultants, drafting and assembling specific campaign documents, conducting a feasibility or planning study, and developing a campaign strategy. Final comments explore what to expect and be prepared for while conducting a capital campaign. (GR)

## **Fundraising Basics for Private School Facilities**

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# Fundraising Basics for Private School Facilities

## National Clearinghouse for Educational Facilities

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March 2001

**T**here is one problem many private schools are happy to face: coping with growth. When the size of the student body is increasing and the waiting list for enrollment grows longer, a school may assume that it is accomplishing its mission and educational goals. For private schools, a full complement of tuition and fees permits operating and program costs to be covered.

Schools usually accommodate growth with new buildings or with renovated facilities adapted to support instructional needs. This may require a construction loan from a bank, an encumbrance not usually funded by an institution's annual operating budget. A construction loan may be reduced or may not be necessary if fund raising generates enough capital to cover the costs of the project before building begins. Or, a major portion of the loan may be repaid later through funds given to the school as charitable contributions.

Individuals, corporations and foundations in the United States contributed more than \$190 billion to nonprofits in 1999. This figure includes contributions to all nonprofit corporations holding IRS 501(c)(3) status, such as arts organizations, healthcare and social service agencies, churches and church-related institutions, as well as schools and libraries. Foundation grants account for \$22.8 billion, or only about 11 percent of this 1999 total. Corporate contributions were even less at \$3 billion, or approximately one half of one percent. Gifts from individuals, at \$154.2 billion, accounted for 88.5 percent of all charitable giving.

The term *contributed income* is important. It is a *gift*. The donor does not buy a magazine subscription, a program ad or a candy bar. According to the official language of the IRS, the donor has received neither goods nor services in consideration for the gift. The donor does, however, receive a thank you, an acknowledgment, and the option to reduce taxable income by itemizing deductions on his or her IRS Form 1040 Schedule A.

Most K-12 institutions seeking tax-deductible contributions are private or church-related schools that have obtained nonprofit incorporation within their state and have been designated a 501(c)(3) organization by the IRS. As such, they have articles of incorporation, bylaws, and independent, deliberative—not advisory—boards of directors.

- Some schools are wholly owned and operated by a church. If the church is part of a denomination that predates the IRS, it might not need 501(c)(3) status in order to receive tax-deductible contributions. Contributions to an unincorporated church school are actually designated gifts to the sponsoring church. These schools will encounter foundations and corporations whose guidelines do not permit contributions to churches.
  - Tax-deductible gifts may be made to public schools. Fund raising in public schools is usually associated with projects that provide new band uniforms or bleachers. Although major gift fund raising for capital projects at K-12 public schools is exceedingly rare, corporations are increasingly participating in funding new and renovated schools. Americans, as individual donors, expect their taxes to cover costs related to public school buildings. They are, therefore, unaccustomed to being asked for charitable financial support. Because some form of local elected or appointed government, rather than a nonprofit board of directors, holds fiduciary responsibility for the school, the local political climate will affect the prognosis for funding a new or renovated school building.
- Public schools considering a campaign to fund capital projects with contributed income should identify a fundraising consultant who has specific experience in this highly specialized area.

Raising money for new or renovated facilities is called a *capital campaign*. In addition to funding the project that motivated it, a successful capital campaign

- builds and refines a school's development program for the foreseeable future;

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- builds visible volunteer leadership that should continue to support the institution as well as build the school's credibility in the philanthropic sector; and
- stretches, redefines, and expands the level of contributed income a school should expect to receive after the campaign is completed.

## Setting up a Comprehensive Development Program

**Obtain fundraising software** (e.g., Blackbaud's *The Raiser's Edge*, <http://www.blackbaud.com> or DonorPerfect, <http://www.donorperfect.com>) or subscribe to one of the new web-based programs (e.g., <http://www.etapestry.com>). These are more than glorified address books. They anticipate the way you will want to record and report donor and potential donor information. A good software program greatly enhances the efficiency of the persons assigned with fundraising responsibilities, provided they receive good training in its use. Such a program has the effect of adding staff without the expense.

**Invest in the staff time to record data and build donor profiles.** In addition to names and addresses, information like preferred salutations, relationship to the school (e.g., board member, parent, past parent, alumni and class year, vendor, area business, friend) and contribution history will help you build a strategy for identifying and contacting donors to a capital campaign. Having complete, accurate, and accessible data is important.

**Implement all components of a comprehensive development program.**

- **Annual fund.** Begin asking people for money now, regularly, twice a year. Simply ask for unrestricted gifts to your school; but not for your capital campaign—not yet.

An annual fund builds the donor database and acquaints people with the idea of giving to and being thanked for their contributions to your school. Regularly asking for money keeps you focused on the reasons you are seeking financial support through contributions. You become accustomed to describing your needs; that is, composing a case for support. You may choose to target alumni, parents, and friends differently. Whatever your plan, an annual fund builds donor relations and donor giving histories—an important first step in preparing for the major gifts needed in a capital campaign.

- **Major gifts.** The Board of Directors should always have a standing committee devoted to identifying, cultivating, and ultimately soliciting contributions from persons capable of making major gifts. The board must define the term “major gift” within the school's context and needs. It might be \$10,000 (or less) or \$100,000 (or more).

If a capital campaign is anticipated within two or three years, delay asking for an assured major gift until it can be incorporated into the campaign either as an “advance” or “leadership” gift. Part of cultivating donors might include keeping them abreast of campaign plans and the important role they will play as leadership donors. When the campaign is completed, your school will have experience in developing relationships with major donors. There will always be a need for major gifts.

- **Deferred or planned giving.** Another standing committee of the Board of Directors should be assigned the task of encouraging deferred or planned gifts, such as bequests and annuities. An official from the bank where your school has its accounts may be willing to sit on your board and assign a person to preside over that committee. While the bank officer can oversee the technical considerations, someone else may assume responsibility for a proactive stance towards deferred gifts.

An active and visible development program for deferred gifts adds to the credibility and long-range context for a capital campaign.

- **Special event.** Identify and establish a special annual fundraising event. In addition to the amount of money that is to be raised, be clear about your other goals, such as good publicity and public relations.

Be aware that a large percentage of the ticket price for special events is not tax deductible, and much of the other money collected at a special event is “earned income” from sales (not tax deductible) rather than “contributed income.” The IRS expects vigilant oversight of this. If someone buys a ticket and receives a meal, the value of the meal must be indicated. If your special event is a silent or live auction and an attendee successfully bids on a pair of opera tickets, you may not indicate a charitable contribution up to the value of the tickets.

The value of the special event to your future capital campaign includes identifying volunteer

leaders and workers, adding names of school friends to the database, and recording amounts of money transacted by attendees at the special event.

- **Read the *Chronicle of Philanthropy*.** Published every two weeks, the *Chronicle* (<http://philanthropy.com>) is the newspaper of the non-profit world. By reading it you will become familiar with the fundraising universe, learn about the most up-to-date topics being addressed in the philanthropic sector, discover how professionals and volunteers in schools and other organizations are accomplishing what you are planning to do, and develop ideas for how you will want to proceed in planning and implementing a capital campaign.
- **Budget now for future capital campaign costs.** Your fundraising counsel will work for a negotiated, fixed fee. Professionals do not collect a percentage of the money raised. The amount, method, and schedule of payment to the consultant will be determined in a letter of agreement. The professional fee should be in hand before you proceed with counsel.

## Planning a Capital Campaign

**Engage fundraising counsel.** Do not undertake a capital campaign alone! The size of your campaign will indicate whether you need full-time or part-time, on-site counsel or an aggressive, external consultant who oversees staff and volunteers.

- **Talk to other schools that have conducted capital campaigns.** If they were happy with their consultants, get the names and contact them. Contact the national office or the local chapter of the Association of Fundraising Professionals (AFP), formerly NSFRE, for names of consultants with experience in K-12 capital campaigns (<http://www.afpnet.org>). The Association of Philanthropic Counsel (<http://www.apcinc.org>), which carefully screens independent fundraising consultants and “small shops,” may also be helpful.
- **Consider different kinds of consultants.** Large firms, small firms, and independent, self-employed consultants will each bring different strengths to the task.
- **A good consultant will interview you and a few of your colleagues at the first meeting.** S/he needs a great deal of information before proposing

a plan for a capital campaign. It will be helpful if you have taken the steps described in “Preparing to Raise Money in a Capital Campaign” before meeting with a consultant. If someone arrives and, instead of asking questions, immediately tells you how s/he will raise money, politely move on to the next candidate.

- **At a second meeting, the consultant will outline a plan, including a projected timetable, for conducting your capital campaign.** How the firm or the individual consultant will staff the campaign should be described. The fixed fees and projected expenses are presented at this time.
- **If you are meeting with a large consulting firm’s sales team, insist on meeting the consultant who would be assigned to your campaign.** If you proceed to contract with a firm, specify the designated consultant in the letter of agreement and retain the right to approve any change in personnel and the right to terminate the contract if the firm changes its personnel assigned to your campaign.
- **In addition to considering skill and experience, you have one more important consideration—**do you like and trust this consultant?

### Draft or assemble the following materials.

- **Temporary case statement.** This short document summarizes why you are undertaking a capital campaign, what the effects will be, and why donors should contribute.
- **List of needs.** This summary of the projected costs of the project helps potential donors understand how the financial goal was set.
- **Architect’s elevations and floor plans.** A rendering of the proposed structure or a before-and-after drawing of the renovation will help inspire donor confidence that this is a “real” project.
- **Potential campaign volunteer leaders.** A basic fundraising axiom is—people give to people. Recruit prominent volunteer leaders who will ask other people to contribute to your campaign.
- **Potential campaign donors.** Do you have a preliminary and reasonable idea of who will contribute the money needed to reach your campaign goal? This list may include corporations and foundations.

**Conduct a feasibility or planning study.** An assured formula for failure is simply to begin asking for money with no strategy or plan for attracting major gifts at the beginning. If you simply “pass the hat” for whatever comes in, you will not reach your fundraising goal.

A feasibility or planning study is the tool for developing a strategy to identify and solicit major donors and donors at subsequent lower levels. Your consultant will develop a gift chart of pyramid giving based on your campaign goal and the number of potential donors. Your first 10 donors should contribute 40 percent of your goal. Identifying campaign solicitors is another critical component of the study. Your solicitors should be credible, respected leaders who will contribute and then ask others to make contributions.

The consultant's strategy and plan should include a number of confidential interviews that cover the documents outlined in the previous section. The appeal and credibility of the case statement, list of needs and architect's drawings are tested. Possible memorial gifts might be proposed (e.g., the John Doe Memorial Classroom for a gift of \$100,000). The list of leaders and donors is discussed for confidential opinions on their capacity and inclination to give and for possible expansion of the list. The confidential interview should also include a discussion of the interviewee's possible level of financial support and interest in accepting a leadership role in the campaign. When you compile a list of study interviewees, the following types of persons should be included:

- **Sources of affluence.** Persons perceived as capable of making major gifts to your campaign if a relationship is established and an effective case for support is made.
- **Sources of influence.** Persons perceived as able to influence the philanthropic behavior of other people.
- **Sources of information.** Persons with a great deal of institutional and corporate memory, familiar with relationships to the school, or attuned to the local potential philanthropic profile of the local business community, perhaps the executive director of the local Chamber of Commerce.
- **Sources of negativity.** Persons who probably already think the project should not proceed or that it will not succeed. A study interview can soften their feelings or even convert them to supporting the campaign.

**Develop a campaign strategy and plan based on the results of the study.** At the conclusion of the study, a plan for campaign organization and a reasonable, approximate timetable for the cultivation and solicitation of leadership gifts should be in place. Promptly evaluate and rate your first 10 potential donors with a goal of raising 40 percent of your goal from them. Assign a campaign leader to them and create a plan that ultimately results in a meeting to ask for the gift.

Because the successes and failures of the first phase of the campaign will be vital to developing a strategy and plan for lower levels, beware of a campaign plan that is too detailed after the first nine months or that otherwise seems formulaic and inflexible.

## Conducting a Capital Campaign

### Expect a quiet but busy leadership gift phase.

Seeing gifts arrive makes you feel great, but stay focused on the slow, albeit profitable, major gift activity of the first phase. Each major gift solicitation is a mini-campaign, with a painstakingly careful strategy and plan for implementation. Do not move into lower levels of solicitation until you have exhausted the potential major gifts targeted in the first phase.

**Do not give up on sequential, pyramid giving.** If a donor offers a gift that is smaller than the category within which you are working, thank the donor and indicate that you would like to return at a future date to discuss that gift.

If an awareness of the campaign leads to the arrival of unsolicited small gifts, acknowledge them quietly. Do not publish donor lists. If a potential major donor sends a small gift before you have met together, contact him or her, express your gratitude, and request a meeting to discuss the campaign. Perhaps the donor is unaware of the level of gifts needed to have a successful campaign.

**Avoid anything that will divert donors to small gifts.** Well-intentioned campaign support can backfire. Persons who are asked to purchase a memorial brick costing \$50 or a special event ticket at \$100 are unlikely to contribute at higher levels later in the campaign. Conduct these collateral events late—when you are celebrating the success of your leadership gift phase!

**Know that you—and your consultant—will need to be flexible.**

- Consultants do not have crystal balls or magic wands.
- Not everything learned in the study will be completely accurate.
- A potential major donor may decide not to contribute.
- An important campaign leader may move away.
- A large gift you were not expecting might show up.

**Be prepared to go over goal.** If you raise more money in major gifts than you had planned for, do not reduce your goal in lower categories. Remain aggressive and goal-driven throughout every phase.

**Say “thank you” a lot** and take time to celebrate your successes.

**When staff, consultant, and volunteer leadership have reached a consensus** that every potential major gift has been solicited, move to the next phase.

In summary, a capital campaign needs major gifts, successfully solicited at the beginning of the campaign, to be successful.

- Avoid the temptation to try to raise \$2 million with two million \$1 gifts. Rather, let your strongest supporters take leadership roles in making contributions and asking for major contributions.
- Avoid a sales mentality for raising the money. Even though “having a fund raiser” is commonly understood to mean selling something, it really means commerce, not contributed tax-deductible income. Don’t sell. Rather, using your pyramid and gift range table, *ask for gifts*.
- Avoid using campaign leaders who offer to lend their name and nothing else. Rather, recruit leaders and volunteers who are not overextended, who feel passionately about the project, and who will commit to working with you to achieve your campaign goal.

When you have demonstrated a credible need and financial goal, engaged the services of a fundraising professional at an appropriate level of involvement, recruited committed volunteer leadership, and identified potential major donors, you have the key ingredients for achieving maximum fundraising success in your capital campaign.

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## Additional Information

Read discussions or post questions at <http://www.charitychannel.com>. Relevant forums include captalk, christiandev, consultants, and K-12.

The *Chronicle of Philanthropy* frequently features articles on capital campaigns and major gifts. Online at <http://philanthropy.com>

See the NCEF resource list *Private School Facilities Fundraising* online at <http://www.edfacilities.org>

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